

**STRATEGY
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**CENTRAL AND SOUTH AMERICA:
CHALLENGES FOR THE 21ST CENTURY**

BY

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ABSTRACT

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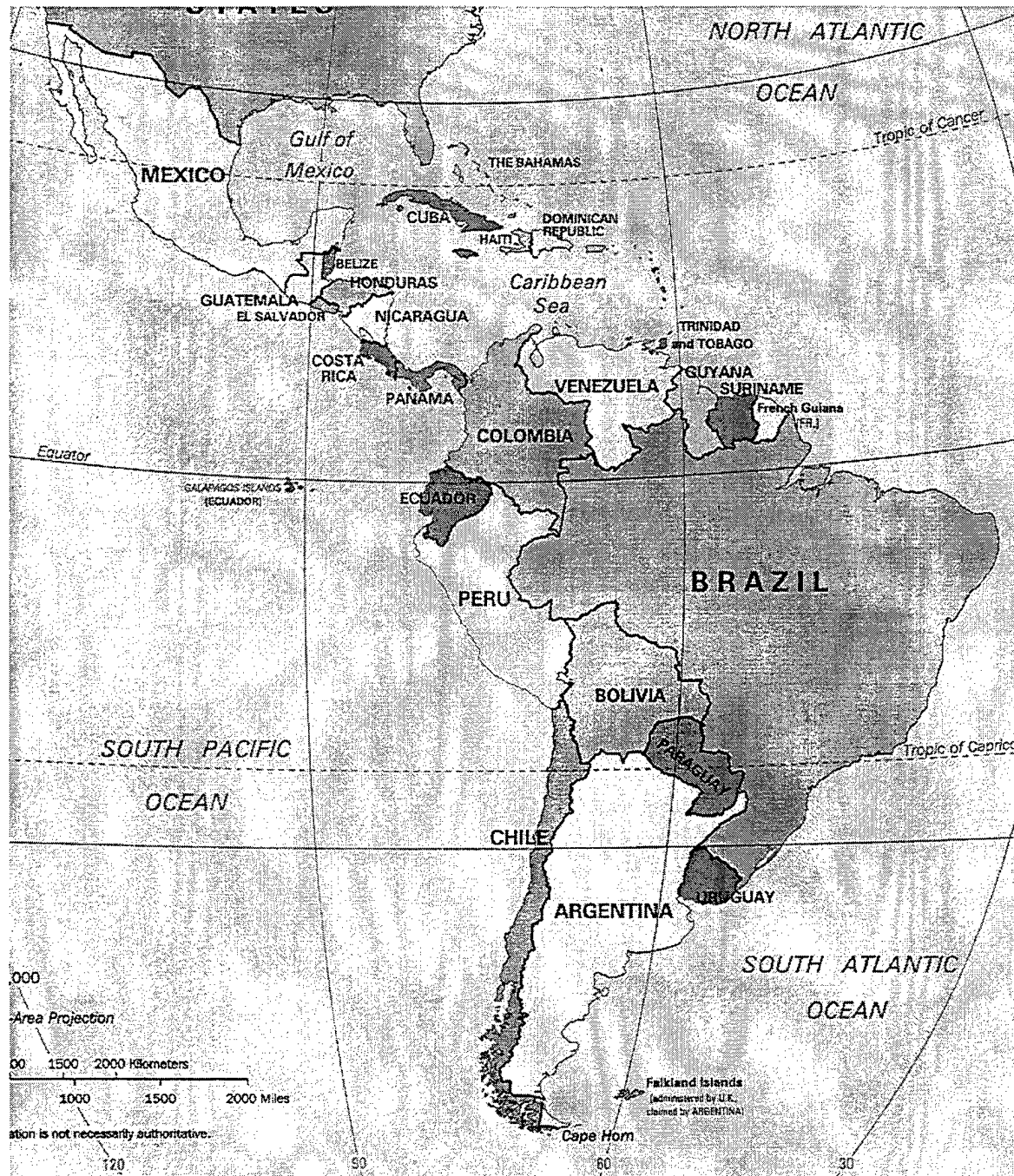
The purpose of this research project is to explore the importance that Central and South America will play in the 21st century. Understanding the history of the region as well as current economic, democratic, military, political and social trends should improve the ability to shape and respond to the challenges of the future. Given United States policy, how should it prepare for the 21st century?

Given the many cultural differences in the region it is imperative to identify and exploit similarities and to work to minimize possible negative effects of the differences.

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MAP of CENTRAL AND SOUTH AMERICA



THESIS

Central and South America are extremely important to the future of the entire Western Hemisphere. Today the people of the region are emerging from an era when most governments were under authoritarian control. Since the end of the Cold War a spectacular transformation has been taking place in the Western Hemisphere. Every country except Cuba has changed its authoritarian ways and entered into major democratic enlargement, resulting in growing yet fragile democracies. The transformations encompass the full spectrum of economic, political, social and military areas.

No matter how good this news is, there are branches to the underlying scenarios that are not in our country's vital interest. The branches in part will be determined by the United States' ability to shape events in the Americas. In order to optimally shape the environment, a basic understanding of the region—its potential and its likely future trend—is essential.

REGIONAL INTERESTS

The United States' interests in the region include viable and stable democracies, economic growth, and cooperative security. The United States National Security Strategy objectives for the Western Hemisphere in 1997 are:

"to sustain regional stability and to increase regional cooperation. The continuation of a stable and cooperative environment will help ensure that current strides in democracy, free markets, and sustainable development will continue and that further progress can be made by the nations of the region."¹

Major hemispheric issues include boundary disputes, market expansion and free trade, environment, social, civilian control of the military, counter-narcotics and counter-insurgency. These issues must be viewed in both a local and a global context. Assessing these issues in terms of shaping, responding and preparing, raises questions about United States National Security Strategy and our corresponding foreign policy's ability to control the environment.

HISTORICAL BAGGAGE

Historically the United States has always believed that it was the a priori lead player in the Western Hemisphere. The Monroe Doctrine of 1823 provided the United States with the blueprint for paternalism in the hemisphere. The United States controlled the hemisphere guided by what amounted to a domestic philosophy unlike the concurrent foreign policy it directed toward Europe and Asia. Successive presidents modified the Monroe Doctrine, but its basic tenets remain intact today.

"Up to that time, the cardinal rule of American foreign policy had been that the United States would not become entangled in European struggles for power. The Monroe Doctrine went the next step by declaring that Europe must not become entangled in American affairs--the whole Western Hemisphere--was expansive indeed--Roosevelt gave the Monroe Doctrine its most interventionist interpretation by identifying it with imperialist doctrines of the period--in the Western Hemisphere the adherence of the United States to the Monroe Doctrine may force the United States, however reluctantly, in flagrant cases of such wrong doing or impotence, to the exercise of an international police power."²

Second order effects of this big brother attitude exist even today. Many Western Hemispheric countries simply do not understand—or trust—the United States' motivations even today.

REGIONAL POLICY

The region, including Cuba, is now being fully integrated into the global economy. The countries, however, have different cultural viewpoints and expectations for the utilitarian value of democracy and the free market.

Two current U.S. policy mandates are having a negative effect on integration and globalization in the Western Hemisphere. The Helms-Burton Act, put in place to penalize companies doing business in Cuba, is isolating the United States from the rest of the hemisphere on this issue.

"Attempts to further tighten the U.S. embargo on Cuba by deterring foreign investment. The bill basically seeks to penalize companies doing business with Cuba. It allows U.S. citizens to sue foreign companies that traffic in property seized

from Americans after the fall of Batista, and also denies executives of such companies the right to enter the U.S."³

The second policy requires that countries in the region meet certain guidelines on drug enforcement in order to receive United States foreign assistance.

"The certification process grew out of Congress' long-held belief that the Executive Branch was not thoughtful enough on the major illegal drug producing and drug transit countries, especially when there were conflicting policy issues unrelated to drugs. FAA Section 490 requires the President to prepare a list of the major drug producing and transit countries (the Majors list) and withhold half of most U.S. Government (USG) foreign assistance to them until the President certifies that they have cooperated or taken adequate steps on their own to meet stated counter-narcotics goals and objectives of the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances."⁴

However, this policy is not equally applied throughout the hemisphere. The United States seems not to understand the implications of non-uniform foreign policy. For example, from a regional viewpoint, drugs are a consumption problem for the United States as well as a production problem for themselves. Holistically, policies such as these are not consistent with a coherent engagement policy.

Central and South American countries, like countries all over world, follow their own national interests. Differences often originate from cultural heritage. They have distinctive variations of democracy that are a product

of their individual histories. This diversity in cultures should not be a divisive wedge but a value added that makes us all stronger partners. To further this point, Howard Wiarda talks about differences in democratic styles:

"Indeed, this meaning of democracy is closer to the historical Latin American and Rousseauian tradition of centralized, organic, top-down, corporatist democracy than it is to American-style pluralism with its checks and balances. The presidents of the region personify these values-Caldera in Venezuela, Fujimori in Peru and Balaguer in Dominican Republic-are precisely the ones under criticism in the U.S. for not following the U.S. political economic model. Not only do we have in the U.S., different conceptions of democracy, but this difference is leading to policy conflicts as well."⁵

As a result of our paternalism, indifference, benign neglect, regional socioeconomic factors, trade and market share pressures, technological advances, environmental protection issues and security requirements, strong economic ties exist between Central and South America and countries outside the Western Hemisphere. These impacts, agreements, economic coalitions and second and third order effects must be fully understood if the United States wants to be effectively engaged in the 21st century.

In order to improve the areas noted above, the United States must focus on regional economic integration. Failure to recognize the problem and take corrective action will effect the United States' and the region's global economic

security arrangements early in the next century. This would be tragic given the vast potential of the region.

South America, with its human, industrial, and natural resources and its emerging economies, is developing a large demand for sophisticated products. Many commodities are purchased from countries outside the hemisphere. The loss of trade with the United States is caused by a phenomenon known as "distance dependency." Countries in close proximity trade more with each other than with countries further away. For example, Canada and the United States have, \$300 billion annual trade, but Brazil (with the same dollar value in annual trade) exchanges only \$20 billion per year with the United States.

Underlying these foreign policy issues are significant domestic realities facing the United States in the next several decades. The demographic makeup of the United States is evolving rapidly, and Hispanics will become our largest minority group by 2015. Also, Central and South America will surpass both Asia and Europe in trade with the United States by 2010. Given this, will the United States redirect its Eurocentric ideas to give due attention to the Western Hemisphere? How can the United States shape the environment in order to promote regional economic stability and cooperative security?

SETTING THE STAGE

What are the United States' goals for Central and South America and its strategy to achieve these goals? According to the National Security Strategy for A New Century:

"Security concerns for the region as stated are drug trafficking, organized crime, money laundering, illegal immigration, and instability generating from corruption and political or social conflict. Further discussion addresses the economic and cooperation issues raised at the Summit of the Americas in Miami in 1994. The ability to balance concerns such as weak democratic institutions, increase in the population of young people, spiraling unemployment, crime rates and serious income disparities are the biggest challenges in the region."⁶

Unfortunately, this strategic policy pronouncement by the Clinton Administration is in conflict with other policy statements. In 1977, President Carter, responding to increasing authoritarian abuses in Latin America, issued Presidential Decision Directive 13 that banned the sale of warplanes and other high technology items in the region. Recently, President Clinton canceled a moratorium banning the sale or transfer of advanced military equipment to Latin American countries. This was a response to pressure from business interests in the United States who pointed out that Chile was about to purchase advanced capability aircraft from European sources.

Interestingly the region is relatively devoid of advanced military equipment. Why? Most countries have

limited resources to devote to these expensive purchases and do not need such weapons. Except perhaps for drug trafficking, border disputes, and organized crime, most issues cannot be solved by the purchase of weapons. Acquisition in itself is not necessarily detrimental as long as it does not imperil the fragile economic and social infrastructure of the region or upset a local balance of power. Issues raised by Thomas Cardamone support this position:

"Sales of such equipment will not address drug trafficking, unequal income distribution, or other security threats faced by the region. New sales could undermine President Clinton's effort to promote economic development and political stability in the U.S. and Latin America. How the transfer of sophisticated military aircraft will promote stronger democracies, foster civilian control of the military, or continue trends of economic growth and regional interdependence."⁷

Weapons sales also may not support long term United States' objectives in the region: to promote democracy, stability, and an economy that supports and provides market access for our products.

On a positive note, Secretary of State Madeleine Albright recently spoke about the replacement of raw military power by economic groupings:

"We have to...understand what American foreign policy is about. It is to protect the security of the American continent and the American way of life. We have to develop a set of partnerships with countries in order to deal with global threats that know no borders and financial threats

that we have not seen before...New economic groupings are the 21st century's military alliance."⁸

This statement by the Secretary and its emphasis on economic groupings should be incorporated into our future strategic planning. By leaving traditional 20th century views and the cold war mentality behind, we can be in a better position to succeed in the 21st century.

MILITARY APPLICATION

The United States military presence in the region is not extensive. However, in contrast to our minimally effective foreign policy, our small military presence plays a key role in democratization and stabilization of the region. Examples are the resolution of conflicts in El Salvador, Peru, and Ecuador. In Ecuador and Peru, United States armed forces facilitated the process that ended hostilities in their border conflict. Through cooperative efforts, the United States is providing assistance in the regional counter-drug campaign in Central and South America. Before 1996, United States military units were assisting counter-narcotics operations in Colombia. However, due to Columbia's failure to meet the guidelines of certification, support for counter-narcotics efforts there waned. Today United States' reservists are continually involved in road and building construction, medical assistance, humanitarian

and nation building efforts. In addition, the United States is assisting de-mining efforts in Honduras and Nicaragua.

Even though there are strong economies and pushes toward stronger democratic institutions, disparity continues between the have and have-nots, and this presents the United States with continuing challenges shaping the total environment.

THE IMPACT OF THE U.S MILITARY'S FUTURE

The United States defense budget will most likely continue to decrease in the near- to mid-term, and this will effect the ability of regional Commanders-In-Chief (CINCs) to properly shape the environments in their respective areas of responsibility. The principal philosophy of U.S. military forces is to continue to build on the traditional model of major regional conflicts. Attention to failed states, hybrid states, faltering economies and wild card events are not addressed effectively in doctrine, force structure or modernization plans. Future equipment modernization will focus on costly major weapon systems improvements, thus perpetuating affordability and compatibility problems throughout United States force components and with future coalition partners.

REGIONAL ANALYSIS

In Central and South America, many challenges, if not dealt with, will effect regional stability in the 21st

century. This paper examines contemporary issues and trends in those countries where relevant changes are likely to take place. Key areas are economic, trade, environmental, social and military.

In order to have a relevant and responsive foreign policy, we must look at the present, forecast the future, and develop capabilities matched to likely potential regional challenges. Highlights from countries having the greatest potential future impact are presented below.

ARGENTINA

Argentina, with a population 33.9 million, has undergone a dramatic transformation in the last 15 years. The Argentines have struggled through an anti-Communist war from 1969 to 1979, the Malvinas War in 1982, and major economical battles with hyperinflation, large external debt, and unemployment. Still they have managed to improve their overall situation and are continuing to do so.

Argentina's economy is undergoing a massive change as they privatize their previously nationalized industries. In the telecommunications sector, media giants such as Grupo Clarin and Citicorp compete for control. This exemplifies on a large scale what is happening elsewhere in the region as the information age arrives. It is however, disconcerting to

the Argentines that these third wave industries are being bought and controlled by foreign interests.

The biggest challenges facing Argentina are poverty, crime and drugs, human rights, privatization, government control, and the poor condition of the military. If the social dilemmas cannot be solved then at some point social demands will clash with free marketers, resulting in chaos.

BOLIVIA

Bolivia is one of the poorest countries in the Western Hemisphere. Land-locked, its only access to the sea is through Chile, which has granted a free transit zone authority similar to a right of way. In spite of its large foreign debts (\$4.4 billion), expenditures of \$1.9 billion, and revenue of \$1.7 billion, military spending has increased from \$111 million in 1992 to \$147 million in 1996.

Strategic priorities include assumption of sovereignty over small-populated border areas with Brazil and assignment of army, navy and air force personnel to the Amazon area to establish a Bolivian presence. A major area of concern is lack of communications equipment that is in short supply especially in border areas. This reduces the military's ability to react to lawlessness, especially in areas such as on the La Paz high plateau.

U.S. foreign policy objectives in Bolivia are the elimination of narcotics production and distribution,

promotion of alternatives to narcotics production, promotion of democracy through strengthening of institutions, and institutional integration of civilian control of the military. The outlook is marginal at best.

BRAZIL

Brazil is larger than the continental United States. It has 9,800 miles of interior borders with ten countries. It also has a continuous coastline of 4,600 miles. From a Brazilian perspective, the main concerns are democracy, regional stability, economic growth, elimination of narcotics trafficking, and minimization of environmental damage. Years of poor monetary and fiscal policy nearly wrecked Brazil's economy. Today, with an annual Gross Domestic Product of \$800 billion coupled with a growth rate of 4 percent, economic debate concerns whether the currency will be devalued or not. Devaluation would be consistent with good monetary policy.

In order to help resolve their terrible financial situation, Brazil enacted an austerity plan in October 1997 to cut government programs, increase taxes and institute controls to protect the currency. This was devastating for business capital expansion and society in general. By March 1998, however, Brazil had turned the corner and now has currency reserves of \$63 billion. Another sign of success is

the large amount of foreign direct investment, \$2 billion that has come into the country since January 1998.

President Collor is also facing challenges of large military expenditures, increased regional and continental integration, protection of the environment, protection of resources, and improved civilian control of the military. In 1996, total government expenditures were \$175 billion of which \$7.3 billion, or about 4%, were military. Brazil's defense spending per capita traditionally has been lowest in the region.

Key issues that Brazil should give close attention to include high rates of poverty among the young, unbalanced wealth distribution, and narcotics trafficking. These social issues will have to be resolved or further economic expansion is in jeopardy. The most publicly prominent issue, however, involves the deforestation of the Amazon basin. The devastation is continuing and may be greater than previously estimated. Government programs have had little effect in slowing the situation in the rainforest. In fact, the Brazilian space agency stated recently that there is no real problem with deforestation. Another issue is the general management of the Amazon basin with its vast mineral and forest wealth, large total area, and the conflict between agrarian expansion and indigenous populations.

Militarily there are two significant projects. First is an effort by the Brazilian navy to develop and construct a nuclear powered attack submarine. The French started the project in 1994 by offering their assistance to Brazil. Almost \$700 million has been spent on this project. The expenditures on the nuclear reactor alone have reached \$500 million. The completion date is 2008.

The second military project is ballistic missile development. Both Avibras and the new Orbita consortium are participating in the research effort. The program features a surface-to-surface missile with a range of 15 to 1,200 km. Guidance technology unavailable in Brazil was procured from a variety of sources including the Russians.

The recent economic turnaround demonstrates that Brazil can control its fiscal and monetary policy. This creates confidence that they can become a regional and perhaps global economic power in the 21st century.

CHILE

Chile has a population of 14 million, a literacy rate of 94%, and one of the largest middle classes in the region. Government expenditures have been slow to increase and the military part of the \$12.9 billion budget in 1995 was less than 10 percent of the total. From 1985 through 1995, the country has had nine fiscal surplus years. The formula of

fiscal conservatism and increased social spending has produced outstanding economic and social stability.

The biggest economic achievement in Chile may well be adapting to free market policies while at the same time improving overall social conditions. With its strong middle class, Chile should prove to be the regional stabilizing economic and political force in the 21st century. The United States should ensure that Chile's economic efforts are rewarded by full regional economic partner status, providing a positive example for the region.

COLOMBIA

The outlook for Colombia is abysmal. Turmoil surrounds President Samper while the overall socioeconomic and political situation appears to be deteriorating. The military, which represents established authority, has been defeated in many engagements with insurgents. To counter these failures the defense budget continues to rise.

Congressional and presidential elections are scheduled for spring of 1998. These elections are pivotal and will greatly influence the future of Colombia. Colombia's problems did not just happen. In the last decade, several factors have negatively effected the country. Coffee prices, which accounted to 50% of export revenues in 1987, have fallen 85 percent. Increase in unemployment played into the hands of insurgents. An increase in guerrilla activity has

also had a devastating effect on rural areas. The net effect is that a large amount of land is now abandoned. The narcotics entrepreneurs have taken advantage of this situation to purchase extensive tracts of land. Colombia now has more land in coca horticulture than both Bolivia and Peru together, roughly 80,000 to 100,000 hectares. This increase in coca harvest resulted in a \$7 billion income, which equated to about one third of total government expenditures in 1993.

From an economic viewpoint, the outlook for Colombia's agricultural sector continues to be dismal as the rural security situation deteriorates, especially in the interior. Coffee production has been negatively effected and area security presents the government with tremendous challenges. Oil has taken coffee's place as the number one export. In 1994, 450,000 barrels of oil were produced. By the year 2000 the annual production is estimated to be over 1 million barrels. However, oil production is now beset by security problem since rebels have stepped up attacks on pipelines.

With the army's failure to control guerrilla activity one wonders what is over the horizon. The military has been traditionally a major stabilizing force in Colombia. Failure to understand the complex balance of forces in this country will present difficult regional security dilemmas for the United States in the 21st century.

ECUADOR

Ecuador has political problems, limited economic growth, decreasing military spending and poor social conditions. The executive branch was taken over by the Congress last year, the judicial sector is in disarray, and foreign direct investment (FDI) is small.

Another major problem is the spill over effect of insurgents and narcotics traffickers from Colombia. Ecuador is rapidly becoming a major transshipment point for manufacturing equipment and chemicals related to the drug trade. Currently the United States is helping to equip a new Ecuadorian force to deal with narcotics-related activity. The long-term outlook for Ecuador is not good.

PERU

Peru has undergone many changes in the last decade. President Fujimori, with the assistance of the military, staged a successful coup in 1992. This closed Congress and suspended the constitution. His rationale was failure of the Congress to sufficiently speed economic recovery and to deal effectively with the terrorist Sendero Luminoso group. Interestingly the Fujimori government has succeeded in bringing economic prosperity and reducing the foreign debt.

The military has significant problems such as signs of corruption involving drugs, smuggling and low morale. Civilian control of the military does not exist and power is

shared between President Fujimori, Ivan Vladimiro Montesinos, his advisor, and General Nicolas de Bari Hermoza, the armed forces' commander.

The overall outlook for Peru is improving despite Fujimori's low popularity. International investment is slowly increasing. The inability for the government to raise and collect taxes to support expenditures has been problematic, but it has recently seen improvement. The government finally adapted a Value Added Tax (VAT), raising collectable taxes from 14% to 18% in 1996. This accounted for 13% of Gross Domestic Product (GDP) vice 10% collected in the last four years.

The major failure in Peru is the loss of true democracy. If this is not corrected, long term destabilization in the Andean Ridge region could occur.

VENEZUELA

Venezuela has been under civilian government since 1958. The economy is improving, but, like many other countries in Latin America, there is little or no improvement for the poor. Oil is the centerpiece of the Venezuelan economy. With their recent oil find, the national Oil Company, PDVSA, will be producing 7 million barrels per day by 2007. This huge oil reserve has also encouraged large foreign investment.

President Caldera, in 1997, commissioned a group to oversee the reorganization of the armed services. The primary purpose was to transform the force into a modern organization capable of dealing with the changing international strategic environment. The reorganization is incomplete at this writing but is slowly progressing.

The major strategic challenge for the 21st century is its geographic location. Venezuela is situated on the Caribbean Sea at the intersection of major air corridors and sea-lanes between North, Central and South America. This location causes two security concerns: insurgent spill over from Colombia; and increasing Brazilian military presence in the Amazon region.

Venezuela is showing signs of increased integration into regional economies. It is participating with Colombia and Mexico in setting up the Group of Three, which promotes strong economic ties. Venezuela and Brazil have signed a trade agreement as the latter turns increasingly toward Venezuela for its oil. Venezuela is also working with Colombia to police the border area, to decrease the presence of criminal elements and encourage cross-border business ventures. The ticking time bomb is Venezuela's inability to resolve the issue of income distribution: the poorest 40% of the people control just 16.7% of the wealth and the richest

20% control 46.4 percent. This imbalance if not corrected could effect regional stability.

COSTA RICA

Costa Rica is the only country in the region that has a long-standing democracy and moderate stability. The country abolished the military in 1948. Economically, Costa Rica has a large internal debt and is currently in a bad recession. In 1995, expenditures (\$1.8 billion) exceeded revenues (\$1.4 billion) by \$470 million dollars. The security expenditure was \$26.2 million or only 3% of the budget. The security budget declined to \$18 million in 1997 and is projected to increase to \$28 million in 2001. The emphasis is on modernization of equipment and the bill payer will be reduction in personnel.

The major economic challenges for the future are passage of the North American Free Trade Agreement (NAFTA) and agreement with neighboring countries to reduce external tariffs. These measures should make their goods more competitive.

Security concerns are internal instability, narcotics trafficking and an increase in urban crime. The spill over of criminal activities from neighboring countries has abated. As the cornerstone of democracy in Central America, it is in the United States' interest to ensure that Costa Rica remains a stabilizing force in the region.

EL SALVADOR

El Salvador is recovering well from a thirteen-year civil war. Ending in 1992, the war cost 75,000 lives and \$2 billion in infrastructure damage. The United States provided economic and military aid amounting to over 50% of El Salvador's budget during the war years. Today El Salvador is well on the way to economic recovery. Government expenditures now focus solidly on social programs.

In the future, El Salvador will focus on strengthening democracy, promoting peace in the region, and encouraging neighboring countries to open their economic markets. The military will concentrate on reconfiguring to meet the internal demands of crime and gang violence.

PANAMA

Panama is a democracy in transition. In the past, the United States had enormous influence over Panama's political direction. The U.S. required basing rights to protect our vital interest in the Panama Canal, and Panama enjoyed the economic benefits derived from commercial and military spending. Not including canal revenue, United States military input to Panama's economy was estimated at \$300-\$500 million per year.

With implementation of the Panama Canal Treaty of 1978, Panama will gain control of the canal in 1999. However, the

United States is currently negotiating to retain a presence in country to facilitate its counter-narcotics effort and provide limited training to its Special Forces.

Panama's security concerns include policing the Panama Canal, dealing with the increased insurgent activity, and international counter-narcotics efforts. United States failure to fully consider Panama and the Andean Ridge drug corridor problems will result in a failure to shape counter-narcotics outcomes in the 21st century.

CUBA

Cuba is the only non-democracy in the Western Hemisphere. The Communist Party dominates Cuba and controlled by Fidel Castro, who ousted Fulgencio Batista in 1959. Cuba has undergone several transformations since then. Initially supported by the Soviet Union, Cuba did quite well exchanging sugar for oil. The full quid pro quo was that Cuba had to support Soviet expansionism elsewhere in the world. Post-Cold War, Cuba had to move from a developing industrial society toward a return to subsistence agrarian economy when the Soviets stopped their support.

The Cuban economy shrank 40% from 1989 through 1993. This forced the government to seek foreign direct investment. While minimal by United States standards, investment is successful enough to keep Castro in power. The situation is greatly complicated by the Helms-Burton Act.

There are some bright spots in the economy such as tourism, the Center for Biotechnology and Genetic Engineering, and the improving relationship with the International Monetary Fund (IMF). Reforms in the banking system, including establishment of a Cuban central bank and the peso as a convertible currency, indicate a desire of Cuba's government to re-enter the global economy.

Politically, Cuba will require U.S. participation to avert disaster. When Castro dies, United States foreign policy makers may have to deal with mass migrations headed both north and south. Economic, political and security plans must be in place no matter what scenario then transpires in Cuba. The cost for rebuilding Cuba will present U.S. policy makers with hard and costly choices in the future.

OUTLOOK

The outlook for Central and South America in the 21st century looks good from a global economic security perspective. The bright spots in the region are the growing economies in Argentina, Brazil, Chile, and Venezuela. In smaller countries like Guatemala and Honduras, the growth is also smaller, but it constitutes a positive trend. El Salvador is making great strides toward full democracy and economic independence. Economic success by itself has not

and will not solve the many underlying social and political problems, which have existed for decades.

"Impressive as these accomplishments are, however they have so far stopped short of establishing fully consolidated democracies or market economics. Deep problems of poverty and inequality remain, and the capacity of government bureaucracies to deliver social services and other public goods is limited."⁹

The major challenge for the region is the common failure to deal with social problems that provide the seeds of dissent and instability. The major factors are poverty, joblessness, dislocation of native populations, and increasing numbers of young people without jobs. Coupled with an increase in insurgencies, terrorism and general lawlessness, this mix could be a recipe for disaster in the 21st century.

The takeover of the government of Colombia by criminals will not be resolved soon. Spreading illegal activity along the borders with Brazil, Ecuador, Panama and Venezuela with the illegal transfer of arms, narcotics and money, is a harbinger of trouble. The United States should not consider Colombia as a failed state, but as a hybrid state transformed by narcotics dollars into a failed democracy. The United States should focus on several areas in dealing with regional militaries in the 21st century: the "narcotics traficante" spill over; the insurgencies in Colombia, Peru, Mexico; and spill over effects in Bolivia and Ecuador. These

problems all provide relief and safe haven for regional revolutionaries. Budget reductions for the militaries of the region could further effect both external and internal security issues.

CONCLUSIONS

A return to authoritarian dictatorships is unlikely in the next decade unless fundamental principles of democracy and economics are ignored. The region will continue to experience turbulence as it integrates into the global economy. Military spending is limited, by governments trying to balance social and defense needs. However, the responsibility of reducing poverty, absorbing large numbers of youths into the work force, combating terrorism, and mitigating environmental damage could overwhelm the countries socially and economically infrastructure. An unfortunate combination of all these negative forces could bring back the authoritarian and military control that everyone in the region worked so hard to change.

Domestic savings regionally are at 15% annually which is not high enough. In order to have sustained growth, there must be enough foreign direct investment to supplant the low savings. In the last decade, there has been sustained double-digit GDP growth annually, and this growth created many job opportunities. However this will not continue and job opportunities will decrease, resulting in frustration

among the large youth population. The possibility of social turmoil is likely to increase in the region.

In the political arena the democratic process demands full participation in socioeconomic reforms. If these decisions are made in isolation, by those in charge, and not shared by all society, there may be devastating effects on nascent democratic institutions. Mr. Kaufman pointed out that these countries are in fragile shape.

"Finally although I have argued that an open return to authoritarian regimes is unlikely, it is even possible that in some countries a general erosion of faith in the capacity of democratic governments to manage the economy could increase the appeal of authoritarian solutions to the crisis. A general deterioration of the social order, together with downward mobility for members of the middle and working classes, could well augment support for political social and political polarization provide the classic justification for authoritarian coups."¹⁰

RECOMMENDATIONS

Foreign policy, the National Security Strategy and the National Military Strategy, as it relates to Latin American, needs modification. More focused attention must be given on the Western Hemisphere given the economic, political and social realities. The United States must formulate a coherent foreign policy that utilizes all elements of national power to make a positive difference to the future. Peter Smith concludes that

"to improve its position vis-à-vis other major powers, the United States appears intent on intensifying, consolidating, and deepening economic contact with countries of Latin America. This process will necessarily have important social consequences. Accelerations in the exchange of goods, capital, and services stimulate flows of labor and other items, including unauthorized migrants, refugees, drugs, and expressions of popular culture...To exaggerate the point: as a result the United States and Latin America may find themselves on a collision course."¹¹

In April 1998, the Second Conference of the Presidents of the Americas took place in Santiago, Chile. The time is right, with all appropriate heads of state present, to reach a consensus on the importance of free trade, strong monetary policy, and economic engagement for the entire hemisphere.

The United States must exercise a leadership role evidencing evenhanded support coupled with understanding of cultural differences.

In order to expand democratic and economic interest, the U.S. must put forth an effort across the broad spectrum of political, diplomatic, economic, environmental, social and military issues. Realistic and consistent U.S. foreign policy will go a long way toward enhancing democracy as well as and economic and political stability. The U.S. Congress should pass "Fast Track" now. The U.S. needs to encourage regional multi-lateralism without strings attached. Finally as the Western Hemisphere integrates into the global

economy, the United States must become fully engaged to shape the future.

The United States should not stand by and allow unshaped events to determine the future of the region.

Word Count = 5742

ENDNOTES

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³"Foreign Military Markets, Latin America & Caribbean," Forecast International /DMS, Newton, Cn. , (Dec 97): Cuba 5.

⁴U.S. Department of State, The Certification Process, (Washington, D.C.:Bureau For International Narcotics and Law Enforcement Affairs, 1996)

⁵Howard J. Wiarda, Back to Basics: Reassessing U.S. Policy in Latin America (Boston, Ma.:Harvard International Review, Fall 1997), 17.

⁶The White House, A National Security Strategy For A New Century (Washington, D.C.: U.S. Government Printing Office, May 1997), 25

⁷Thomas Cardamone, Foreign Policy In Focus: Arms Sales to Latin America(Interhemisphere Resource Center <ircalb@SWCP.COM> at INTERNET, Vol 2, No 53, Dec 97)

⁸Kevin Whitelaw, For Albright an all right year(U.S. News and World Report, Jan 19, 98) 49.

⁹Robert Kaufman, Moving Ahead, The Coming Challenges for South America (Boston, Ma.: Harvard International Review, VOL XIX, No. 4, Fall 97) 12.

¹⁰ Ibid., 15-16.

¹¹ Peter Smith, Talons of the Eagle, Dynamics of U.S.-Latin American Relations(New York: Oxford University, 1996) 336.

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